

**TOWN OF  
FRAMINGHAM, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Framingham, Massachusetts

### Additional Offices:

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Framingham, Massachusetts, as of and for the year ended June 30, 2013 (except for the Framingham Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Framingham, as of June 30, 2013 (except for the Framingham Contributory Retirement System which is as of and for the year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

*Melanson, Heath + Company P.C.*

March 27, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Framingham, we offer readers this narrative overview and analysis of the financial activities of the Town of Framingham for the fiscal year ended June 30, 2013. Unless otherwise noted, all amounts reported in this analysis are expressed in thousands.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include water and sewer activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.



**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- Ç As of the close of the current fiscal year, the total of assets exceeded liabilities by \$184,444 (i.e., net position), a change of \$(6,861) in comparison to the prior year.
- Ç As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$29,109, a change of \$5,292 in comparison to the prior year.
- Ç At the end of the current fiscal year, unassigned fund balance for the general fund was \$21,038, a change of \$6,370 in comparison to the prior year, while committed fund balance was \$416, a change of \$6 in comparison to the prior year.
- Ç Total bonds payable at the close of the current fiscal year was \$159,927, a change of \$23,701 in comparison to the prior year. The Town also had \$44,737 in bond anticipation notes outstanding at year-end.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

### **NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 90,600	\$ 83,848	\$ 36,692	\$ 36,588	\$ 127,292	\$ 120,436
Deferred outflows of resources	560	681	23	46	583	727
Capital assets	<u>190,965</u>	<u>189,713</u>	<u>192,479</u>	<u>178,289</u>	<u>383,444</u>	<u>368,002</u>
Total assets	282,125	274,242	229,194	214,923	511,319	489,165
Long-term liabilities outstanding	136,096	125,554	114,366	88,864	250,462	214,418
Notes payable	9,583	9,889	35,154	40,832	44,737	50,721
Deferred inflows of resources	335	-	319	32	654	32
Other liabilities	<u>27,566</u>	<u>27,121</u>	<u>3,456</u>	<u>5,568</u>	<u>31,022</u>	<u>32,689</u>
Total liabilities	173,580	162,564	153,295	135,296	326,875	297,860
Net position:						
Net investment in capital assets	131,640	129,564	59,181	55,089	190,821	184,653
Restricted	10,202	12,304	-	-	10,202	12,304
Unrestricted	<u>(33,297)</u>	<u>(30,190)</u>	<u>16,718</u>	<u>24,538</u>	<u>(16,579)</u>	<u>(5,652)</u>
Total net position	<u>\$ 108,545</u>	<u>\$ 111,678</u>	<u>\$ 75,899</u>	<u>\$ 79,627</u>	<u>\$ 184,444</u>	<u>\$ 191,305</u>

### **CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 24,515	\$ 27,339	\$ 35,445	\$ 34,865	\$ 59,960	\$ 62,204
Operating grants and contributions	65,686	60,318	-	-	65,686	60,318
Capital grants and contributions	6,300	2,162	344	5,057	6,644	7,219
General revenues:						
Property taxes	165,301	161,607	-	-	165,301	161,607
Excises	6,199	6,319	-	-	6,199	6,319
Penalties, interest and other taxes	4,321	4,297	-	-	4,321	4,297
Grants and contributions not restricted to specific programs	8,819	8,210	-	-	8,819	8,210
Investment income	921	458	9	8	930	466
Miscellaneous	<u>596</u>	<u>489</u>	<u>332</u>	<u>192</u>	<u>928</u>	<u>681</u>
Total revenues	282,658	271,199	36,130	40,122	318,788	311,321

(continued)



(continued)

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Expenses:						
General government	11,254	9,992	-	-	11,254	9,992
Public safety	32,155	33,433	-	-	32,155	33,433
Education	155,281	152,121	-	-	155,281	152,121
Public works	15,037	13,333	-	-	15,037	13,333
Human services	1,712	1,789	-	-	1,712	1,789
Culture and recreation	7,213	7,479	-	-	7,213	7,479
Employee benefits	58,360	58,863	-	-	58,360	58,863
Interest	2,237	2,283	-	-	2,237	2,283
Intergovernmental	4,984	4,319	-	-	4,984	4,319
Water	-	-	15,598	15,113	15,598	15,113
Sewer	-	-	21,818	20,183	21,818	20,183
Total expenses	<u>288,233</u>	<u>283,612</u>	<u>37,416</u>	<u>35,296</u>	<u>325,649</u>	<u>318,908</u>
Change in net position before transfers	(5,575)	(12,413)	(1,286)	4,826	(6,861)	(7,587)
Transfers in (out)	<u>2,442</u>	<u>2,610</u>	<u>(2,442)</u>	<u>(2,610)</u>	<u>-</u>	<u>-</u>
Change in net position	(3,133)	(9,803)	(3,728)	2,216	(6,861)	(7,587)
Net position - beginning of year	<u>111,678</u>	<u>121,481</u>	<u>79,627</u>	<u>77,411</u>	<u>191,305</u>	<u>198,892</u>
Net position - end of year	<u>\$ 108,545</u>	<u>\$ 111,678</u>	<u>\$ 75,899</u>	<u>\$ 79,627</u>	<u>\$ 184,444</u>	<u>\$ 191,305</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$184,444, a change of \$(6,861) from the prior year.

The largest portion of net position, \$190,821 reflects our investment in capital assets (e.g., land, construction in progress, buildings and improvements, vehicles, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$10,202 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(16,579) may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(3,133). Key elements of this change are as follows:

Excess of revenues over (under) expenditures:	
General fund	\$ 2,917
Internal service fund	1,550
General fund transfers from enterprise funds, net	<u>2,442</u>
Subtotal	6,909
Debt service principal paydown in excess of depreciation	315
MSBA collections recognized in prior periods	(2,511)
Increase in net OPEB obligation	(9,480)
Other	<u>1,634</u>
Total	<u>\$ (3,133)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(3,728). Key elements of this change are as follows:

Water operations	\$ (890)
Sewer operations	<u>(2,838)</u>
Total	<u>\$ (3,728)</u>

The reduction in the net position primarily results from current year depreciation (not funded in the rates) exceeding long-term debt principal payments (funded in the rates).

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$29,109, a change of \$5,292 in comparison to the prior year.

The Town implemented Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in stabilization and conservation funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$21,038 (including \$11,770 of general stabilization funds), while total fund balance was \$25,971. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 21,038	\$ 14,668	\$ 6,370	8.7%
Total fund balance	25,971	20,054	5,917	10.7%

The total fund balance of the general fund changed by \$5,917 during the current fiscal year. Key factors in this change are as follows:

<u>General Fund Highlights</u>	<u>General Fund Components</u>				
	<u>Operating</u>	<u>General Stabilization</u>	<u>Open Space Stabilization</u>	<u>Conservation</u>	<u>General Fund</u>
Use of other funding sources, net of transfers to stabilization	\$ (2,975)	\$ 2,237	\$ -	\$ -	\$ (738)
Revenues in excess of budget	2,850	-	-	-	2,850
Expenditures less than budget	2,289	-	-	-	2,289
Tax collections less than levy	1,076	-	-	-	1,076
Current year encumbrances in excess of expenditures of prior year encumbrances	32	-	-	-	32
Transfer to General Stabilization	(210)	210	-	-	-
Other	-	402	5	1	408
Total	\$ <u>3,062</u>	\$ <u>2,849</u>	\$ <u>5</u>	\$ <u>1</u>	\$ <u>5,917</u>

Included in the total general fund balance are the Town's stabilization and conservation accounts with the following balances:

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization	\$ 11,770	\$ 8,921	\$ 2,849
Open space stabilization	353	348	5
Conservation	64	63	1
Total	\$ <u>12,187</u>	\$ <u>9,332</u>	\$ <u>2,855</u>



**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$16,718, a decrease of \$(7,820) from the prior year, mainly as a result of current year depreciation expense in excess of paydowns on bonds. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$1,727, due to a change in general government of \$(295), public safety of \$790, education of \$963, public works of \$487, human services of \$33, culture and recreation of \$46, employee benefits of \$(672), debt service of \$0, and transfers out of \$375. The additional appropriations were funded by the tax levy and transfers from other funds.

Revenues in excess of budget mainly consist of bond premiums, Medicaid and Medicare revenues.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end, amounted to \$383,444 (net of accumulated depreciation), a change of \$15,442 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles, machinery, equipment, and infrastructure.

The following is a summary of capital assets for the current year and prior fiscal year:

CAPITAL ASSETS  
(net of depreciation)  
June 30, 2013 and 2012

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 19,329	\$ 18,620	\$ 1,108	\$ 1,108	\$ 20,437	\$ 19,728
Buildings and improvements	123,806	127,133	24,429	20,376	148,235	147,509
Vehicles, machinery, and equipment	14,506	13,177	3,846	3,992	18,352	17,169
Infrastructure	32,825	30,614	151,427	142,065	184,252	172,679
Construction in progress	499	169	11,669	10,748	12,168	10,917
Total	<u>\$ 190,965</u>	<u>\$ 189,713</u>	<u>\$ 192,479</u>	<u>\$ 178,289</u>	<u>\$ 383,444</u>	<u>\$ 368,002</u>

Significant capital asset activity for fiscal year 2013 included:

- Ç Sewer Improvements at Concord and School Street were appropriated for \$5,557 and have incurred \$2,171 of expenditures. Design for Wastewater Pumping Stations projects, appropriated for \$8,009, started in the fall of 2007, and \$6,740 has been expended. East Framingham Sewer Improvement Project Phase 1, appropriated for \$2,708, has been completed with all the funds expended.
- Ç At the 2008 Annual Town Meeting, the Town authorized over \$21,000 in Water Capital Projects and \$9,000 in Sewer Capital Projects. \$1,941 has been expended on Grove Street Water Pump Station appropriated for \$2,932. The Water Street Water Main Construction appropriated for \$8,522 is substantially complete. \$2,078 and \$2,260 has been expended on the Prospect Street area Water and Sewer Main Replacement appropriated for \$3,000 and \$2,783 respectively. Work on the \$1,100 The Farm Pond Interceptor Sewer Rehabilitation Project has expended \$1,060 to date and the Sewer lining is complete. The Cove Area Sewer Main Rehabilitation has been completed with the \$1,754 appropriation completely spent.
- Ç At the 2009 Annual Town Meeting, \$40,337 was an appropriated to construct the Birch Road Water Treatment Center. The project proposes to reactivate the Birch Road Wells, which are located in the northeast corner of Framingham. The project will provide the Town with an independent and dependable source of drinking water. The Town has been working with the United States Geological Survey (USGS) to refine a sophisticated groundwater model. Since 2004, the Town had previously appropriated \$5,530. In total, \$7,181 has been expended on studies and design on this project.
- Ç To comply with the Administrative Consent Order issued by the Department of Environmental Protection and Settlement Agreement with the Massachusetts Water Resources Authority, \$40,407 was voted to reconfigure the sewer system in East Framingham. This project has been approved for



\$38,066 in loans from Clean Water State Revolving Fund loan program for which \$34,814 has been issued which includes \$4,461 of ARRA funding. \$39,762 has been expended to date on Phase I.

- Ç At the 2010 Annual Town Meeting, \$17,967 was voted for additional Water Capital Projects. \$4,941 has been expended from the \$9,619 appropriated for North Concord Street Water Mains. \$335 has been expended from the \$6,263 appropriation for Grant and Pond Street project. The Goodnow Pump Station authorized for \$1,385 has not started. In addition, \$7,402 was appropriated for Sewer Projects of which \$6,552 was for Sewer Lines in the Grant and Pond Street Area. \$2,701 has been expended on this project.
- Ç At the 2011 Annual Town Meeting, \$1,700 was Authorized for Roadway Improvements for which \$1,678 has been expended, \$585 and \$548 has been expended on the \$2,680 and \$1,765 authorized for Downtown Water and Sewer Utilities; as well as \$2,470 expended on the \$6,310 authorized for the North Framingham. Worcester Road Pump Stations appropriated for \$1,925 has \$457 of expenditures.
- Ç At the 2012 Annual Town Meeting, \$2,500 was authorized for Roadway Improvements for which there has been \$2,014 expended, Water and Sewer Improvements at intersection of Irving, Loring and Herbert St appropriated at \$1,795 and \$2,475 was in its initial phase at the end of the fiscal year; \$75 was expended from the \$3,214 appropriation for Beebe Water Storage Tanks; and \$1,174 was expended on the \$2,400 appropriation for East Framingham Sewer Improvements and Central Street Siphon Sudbury River projects.
- Ç At a Spring 2013 Special Town Meeting, the Town authorized \$7,988 for the construction of the Christa McAuliffe Branch Library. These funds are in addition to the \$710 for a land purchase approved in January. A grant of \$4,186 was received from the Massachusetts Board of Library Commissioners to fund a portion of the project. The land was purchased for \$709.
- Ç At the 2013 Annual Town Meeting, \$12,265 was appropriated for a variety of Town capital and major equipment projects the largest being \$3,200 for Roadway Improvements. \$4,529 was appropriated for water capital and major equipment purchase of which \$2,990 was for the Warren Road and Prindiville water mains. \$25,630 was appropriated for Sewer capital and major equipment purchases including \$17,220 for the Worcester Road Pump Station Elimination Project, \$6,563 for the Baiting Road Sewer Improvements and \$1,240 for the Bethany Road Sewer Improvements.

Additional information on capital assets can be found in the Notes to Financial Statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt and bond anticipation notes outstanding was \$204,664, all of which was backed by the full faith and credit of the government.

The following is a summary of the Town's outstanding debt for the current and prior fiscal years:

OUTSTANDING DEBT  
General Obligation Bonds and Bond Anticipation Notes  
June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 51,880	\$ 51,656	\$ 108,047	\$ 84,570	\$ 159,927	\$ 136,226
Bond anticipation notes	9,583	9,889	35,154	40,832	44,737	50,721
Total	<u>\$ 61,463</u>	<u>\$ 61,545</u>	<u>\$ 143,201</u>	<u>\$ 125,402</u>	<u>\$ 204,664</u>	<u>\$ 186,947</u>

**Change in credit rating.** The Town of Framingham maintains an "Aa2" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation is \$391,791, which is significantly in excess of outstanding general obligation debt.

Additional information on long-term debt can be found in the Notes to Financial Statements.

#### **G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Ç The unadjusted unemployment rate for the Town of Framingham is currently 6.0% (June), which is up from the 5.3% rate from June 2012. This compares to the State's unemployment rate of 7.0% and the national rate of 7.6%
- Ç Inflationary trends in the region compare favorably to national indices.
- Ç The above factors were considered in preparing the Town of Framingham's budget for the 2014 fiscal year.
- Ç During the current fiscal year, unassigned fund balance in the general fund increased to \$21,038. In addition, the Town of Framingham has appropriated \$2,479 of "free cash" to finance the FY14 general fund operating budget
- Ç In FY13 the Town transferred a net \$2,236 into the Stabilization fund as well as appropriating a transfer of \$589 for FY14. The Stabilization fund is currently maintained at 5% of the Town's operating budget.
- Ç The \$ 9,136 of "free cash" certified by the Massachusetts Department of Revenue as of July 1, 2013 is available, subject to appropriation, to finance FY14 and FY15 expenditures.



## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Framingham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Accountant  
Town of Framingham  
Memorial Building  
150 Concord Street  
Framingham, Massachusetts 01702

## TOWN OF FRAMINGHAM, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 48,043,763	\$ 11,384,706	\$ 59,428,469
Investments	14,947,765	-	14,947,765
Receivables, net of allowance for uncollectibles:			
Property taxes	2,522,523	-	2,522,523
Motor vehicle excise	740,978	-	740,978
User fees	340,548	12,203,799	12,544,347
Departmental and other	113,913	-	113,913
Intergovernmental	9,905,744	10,922,054	20,827,798
Assessments	-	7,619	7,619
Other assets	56,060	-	56,060
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax title	1,245,634	-	1,245,634
Departmental and other	346,381	-	346,381
Intergovernmental	12,336,650	1,193,760	13,530,410
Assessments	-	980,414	980,414
Land and construction in progress	19,827,917	12,777,097	32,605,014
Other capital assets, net of accumulated depreciation	171,136,962	179,701,864	350,838,826
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>559,998</b>	<b>22,908</b>	<b>582,906</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>282,124,836</b>	<b>229,194,221</b>	<b>511,319,057</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	6,222,000	2,830,102	9,052,102
Accounts payable	50,432	77,012	127,444
Accrued liabilities	15,717,940	548,710	16,266,650
Tax refunds payable	5,192,420	-	5,192,420
Notes payable	9,582,810	35,154,472	44,737,282
Other liabilities	383,206	-	383,206
Current portion of long-term liabilities:			
Bonds payable	8,390,142	7,553,995	15,944,137
Compensated absences	2,206,673	108,439	2,315,112
Other liabilities	37,184	162,870	200,054
Noncurrent:			
Bonds payable	43,490,216	100,492,587	143,982,803
Net OPEB obligation	80,271,605	3,149,832	83,421,437
Compensated absences	993,881	6,018	999,899
Other liabilities	706,503	2,892,686	3,599,189
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>334,600</b>	<b>318,607</b>	<b>653,207</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>173,579,612</b>	<b>153,295,330</b>	<b>326,874,942</b>
<b>NET POSITION</b>			
Net investment in capital assets	131,640,453	59,181,086	190,821,539
Restricted for:			
Grants and other statutory restrictions	7,604,785	-	7,604,785
Permanent funds:			
Nonexpendable	585,195	-	585,195
Expendable	2,012,066	-	2,012,066
Unrestricted	(33,297,275)	16,717,805	(16,579,470)
<b>TOTAL NET POSITION</b>	<b>\$ 108,545,224</b>	<b>\$ 75,898,891</b>	<b>\$ 184,444,115</b>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 11,253,400	\$ 272,933	\$ 1,366,053	\$ (7,483,549)	\$ -	\$ (7,483,549)
Public safety	32,155,205	524,812	-	(26,462,108)	-	(26,462,108)
Education	155,281,292	64,128,684	1,114,357	(85,308,588)	-	(85,308,588)
Public works	15,037,086	115,964	3,820,094	(10,582,577)	-	(10,582,577)
Health and human services	1,712,328	467,282	-	(1,111,084)	-	(1,111,084)
Culture and recreation	7,212,429	176,123	-	(6,005,508)	-	(6,005,508)
Employee benefits	58,359,558	-	-	(47,556,835)	-	(47,556,835)
Interest	2,236,470	-	-	(2,236,470)	-	(2,236,470)
Intergovernmental	4,984,094	-	-	(4,984,094)	-	(4,984,094)
Total Governmental Activities	288,231,862	65,685,798	6,300,504	(191,730,813)	-	(191,730,813)
<b>Business-Type Activities:</b>						
Water services	15,598,270	-	187,342	-	411,167	411,167
Sewer services	21,818,836	-	156,586	-	(2,039,080)	(2,039,080)
Total Business-type Activities	37,417,106	-	343,928	-	(1,627,913)	(1,627,913)
Total Primary Government	\$ 325,648,968	\$ 65,685,798	\$ 6,644,432	(191,730,813)	(1,627,913)	(193,358,726)
<b>General Revenues and transfers:</b>						
Property taxes				165,301,062	-	165,301,062
Excises				6,198,894	-	6,198,894
Penalties, interest and other taxes				4,320,764	-	4,320,764
Grants and contributions not restricted to specific programs				8,818,932	-	8,818,932
Investment income				920,783	8,673	929,456
Miscellaneous				596,037	332,446	928,483
Transfers, net				2,441,696	(2,441,696)	-
Total general revenues and transfers				188,598,168	(2,100,577)	186,497,591
Change in Net Position				(3,132,645)	(3,728,490)	(6,861,135)
<b>Net Position:</b>						
Beginning of Year				111,677,869	79,627,381	191,305,250
End of Year				\$ 108,545,224	\$ 75,898,891	\$ 184,444,115

See notes to financial statements.

## TOWN OF FRAMINGHAM, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 36,597,155	\$ 2,450,667	\$ 39,047,822
Investments	6,732,358	8,215,407	14,947,765
Receivables:			
Property taxes	5,231,782	-	5,231,782
Motor vehicle excise	2,275,566	-	2,275,566
User fees	-	340,548	340,548
Departmental and other	49,546	346,381	395,927
Intergovernmental	-	7,394,749	7,394,749
Other assets	<u>56,060</u>	<u>-</u>	<u>56,060</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 50,942,467</u></u>	<u><u>\$ 18,747,752</u></u>	<u><u>\$ 69,690,219</u></u>
<b>LIABILITIES</b>			
Warrants payable	\$ 3,559,992	\$ 2,195,228	\$ 5,755,220
Accounts payable	-	50,432	50,432
Accrued liabilities	8,478,465	542,683	9,021,148
Tax refunds payable	5,192,420	-	5,192,420
Notes payable	-	9,582,810	9,582,810
Other liabilities	<u>353,956</u>	<u>29,250</u>	<u>383,206</u>
<b>TOTAL LIABILITIES</b>	17,584,833	12,400,403	29,985,236
<b>DEFERRED INFLOWS OF RESOURCES</b>	7,386,863	3,208,759	10,595,622
<b>FUND BALANCES</b>			
Nonspendable	61,477	585,195	646,672
Restricted	61,789	11,639,591	11,701,380
Committed	416,465	10,672	427,137
Assigned	4,393,063	-	4,393,063
Unassigned	<u>21,037,977</u>	<u>(9,096,868)</u>	<u>11,941,109</u>
<b>TOTAL FUND BALANCES</b>	<u>25,970,771</u>	<u>3,138,590</u>	<u>29,109,361</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 50,942,467</u></u>	<u><u>\$ 18,747,752</u></u>	<u><u>\$ 69,690,219</u></u>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2013

<b>Total governmental fund balances</b>	\$ 29,109,361
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	190,964,879
• Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore, are not reported in the governmental funds.	14,847,645
• Deferred debt expense for refunding is net of amortization on the statement of net assets, whereas all debt expense is reported when paid in the governmental funds.	225,398
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	7,597,409
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	2,275,050
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(378,314)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(51,880,358)
Net OPEB obligation	(80,271,605)
Compensated absences liability	(3,200,554)
Premiums on bonds	<u>(743,687)</u>
<b>Net assets of governmental activities</b>	<b>\$ <u>108,545,224</u></b>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 165,598,637	\$ -	\$ 165,598,637
Excises	6,265,171	-	6,265,171
Penalties, interest and other taxes	4,320,764	-	4,320,764
Charges for services	2,405,574	8,723,566	11,129,140
Intergovernmental	63,426,174	16,741,207	80,167,381
Licenses and permits	2,148,124	70,825	2,218,949
Fines and forfeitures	402,597	14,939	417,536
Investment income	457,428	211,916	669,344
Contributions	-	499,812	499,812
Miscellaneous	241,950	354,889	596,839
Total Revenues	<u>245,266,419</u>	<u>26,617,154</u>	<u>271,883,573</u>
Expenditures:			
Current:			
General government	7,570,891	3,138,150	10,709,041
Public safety	25,584,402	3,885,735	29,470,137
Education	126,938,502	18,059,650	144,998,152
Public works	11,288,924	1,977,698	13,266,622
Human services	1,396,876	131,215	1,528,091
Culture and recreation	5,569,691	657,009	6,226,700
Employee benefits	49,008,363	-	49,008,363
Debt service	10,007,357	-	10,007,357
Intergovernmental	4,984,094	-	4,984,094
Capital outlay	-	8,132,326	8,132,326
Total Expenditures	<u>242,349,100</u>	<u>35,981,783</u>	<u>278,330,883</u>
Excess (Deficiency) of revenues over expenditures	2,917,319	(9,364,629)	(6,447,310)
Other Financing Sources (Uses):			
Proceeds from bond issuances	-	8,333,940	8,333,940
Proceeds from refunding bonds	3,225,400	-	3,225,400
Premiums on bond issuances	2,098,123	-	2,098,123
Payment to escrow agent	(4,360,158)	-	(4,360,158)
Transfers in	2,781,821	660,749	3,442,570
Transfers out	(745,571)	(255,303)	(1,000,874)
Total Other Financing Sources (Uses)	<u>2,999,615</u>	<u>8,739,386</u>	<u>11,739,001</u>
Change in fund balance	5,916,934	(625,243)	5,291,691
Fund Balance, at Beginning of Year	<u>20,053,837</u>	<u>3,763,833</u>	<u>23,817,670</u>
Fund Balance, at End of Year	<u>\$ 25,970,771</u>	<u>\$ 3,138,590</u>	<u>\$ 29,109,361</u>

See notes to financial statements.



TOWN OF FRAMINGHAM, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

<b>Net changes in fund balances - Total governmental funds</b>	<b>\$ 5,291,691</b>
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</li> </ul>	
Capital outlay purchases, net of disposals	12,271,165
Depreciation	(11,019,163)
<ul style="list-style-type: none"> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</li> </ul>	2,231,585
<ul style="list-style-type: none"> <li>Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.</li> </ul>	(2,510,995)
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</li> </ul>	
Proceeds from debt and refunded debt	(11,559,340)
Repayments of debt and refunded debt	11,334,266
Change in deferred debt amortization	(456,098)
<ul style="list-style-type: none"> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	51,615
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds:</li> </ul>	
Increase in liability for compensated absences	(93,220)
Increase in net OPEB obligation	(9,480,254)
Increase in bond premium amortization	(743,687)
<ul style="list-style-type: none"> <li>Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities.</li> </ul>	<u>1,549,790</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>(3,132,645)</u></b>

See notes to financial statements.



TOWN OF FRAMINGHAM, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 163,275,736	\$ 164,998,642	\$ 164,998,642	\$ -
Excise	6,200,000	6,200,000	6,265,171	65,171
Penalties, interest and other taxes	3,859,450	3,859,450	4,320,764	461,314
Charges for services	2,285,000	2,285,000	2,405,574	120,574
Intergovernmental	40,574,408	40,574,408	40,642,307	67,899
Licenses and permits	1,776,847	1,776,847	2,148,124	371,277
Fines and forfeitures	450,000	450,000	402,597	(47,403)
Investment income	119,000	119,000	49,022	(69,978)
Miscellaneous	1,177,000	1,177,000	3,057,819	1,880,819
Transfers in	2,777,679	2,781,821	2,781,821	-
Other sources	2,974,664	2,974,664	2,974,664	-
Total Revenues and Other Sources	225,469,784	227,196,832	230,046,505	2,849,673
<b>Expenditures and Other Uses:</b>				
General government	8,272,661	7,977,623	7,437,911	539,712
Public safety	25,325,589	26,116,245	25,543,893	572,352
Education	105,081,098	106,044,041	106,021,945	22,096
Public works	10,964,159	11,450,959	11,238,868	212,091
Human services	1,517,823	1,550,676	1,397,452	153,224
Culture and recreation	5,559,704	5,605,517	5,530,704	74,813
Employee benefits	48,517,483	47,845,363	47,753,154	92,209
Debt service	10,845,072	10,845,072	10,304,814	540,258
Intergovernmental	5,065,864	5,065,864	4,984,094	81,770
Transfers out	4,320,331	4,695,472	4,695,472	-
Total Expenditures and Other Uses	225,469,784	227,196,832	224,908,307	2,288,525
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 5,138,198	\$ 5,138,198
See notes to financial statements.				

## TOWN OF FRAMINGHAM, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Total	
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 9,567,885	\$ 1,816,821	\$ 11,384,706	\$ 8,995,941
User fees, net of allowance for uncollectibles	5,584,614	6,619,185	12,203,799	-
Intergovernmental	187,342	10,734,712	10,922,054	-
Assessments	7,619	-	7,619	-
Other assets	-	-	-	64,367
Total current assets	15,347,460	19,170,718	34,518,178	9,060,308
Noncurrent:				
Intergovernmental	-	1,193,760	1,193,760	-
Assessments	980,414	-	980,414	-
Land and construction in progress	9,365,400	3,411,697	12,777,097	-
Other capital assets, net of accumulated depreciation	63,539,955	116,161,909	179,701,864	-
Total noncurrent assets	73,885,769	120,767,366	194,653,135	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	22,908	-	22,908	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	89,256,137	139,938,084	229,194,221	9,060,308
<b>LIABILITIES</b>				
Current:				
Warrants payable	1,303,424	1,526,678	2,830,102	466,780
Accounts payable	58,872	18,140	77,012	-
Accrued liabilities	166,966	381,744	548,710	6,318,478
Notes payable	5,997,418	29,157,054	35,154,472	-
Current portion of long-term liabilities:				
Bonds payable	3,616,530	3,937,465	7,553,995	-
Compensated absences	75,576	32,863	108,439	-
Other liabilities	123,395	39,475	162,870	-
Total current liabilities	11,342,181	35,093,419	46,435,600	6,785,258
Noncurrent:				
Bonds payable	39,388,162	61,104,425	100,492,587	-
Net OPEB obligation	1,647,213	1,502,619	3,149,832	-
Compensated absences	5,353	665	6,018	-
Other liabilities	2,226,702	665,984	2,892,686	-
Total noncurrent liabilities	43,267,430	63,273,693	106,541,123	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	279,200	39,407	318,607	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	54,888,811	98,406,519	153,295,330	6,785,258
<b>NET POSITION</b>				
Net investment in capital assets	26,465,302	32,715,784	59,181,086	-
Unrestricted	7,902,024	8,815,781	16,717,805	2,275,050
<b>TOTAL NET POSITION</b>	\$ 34,367,326	\$ 41,531,565	\$ 75,898,891	\$ 2,275,050

See notes to financial statements.

## TOWN OF FRAMINGHAM, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>				
Charges for services	\$ 15,712,740	\$ 19,491,767	\$ 35,204,507	\$ 43,849,753
Other	<u>109,355</u>	<u>131,403</u>	<u>240,758</u>	<u>-</u>
Total Operating Revenues	15,822,095	19,623,170	35,445,265	43,849,753
<b>Operating Expenses:</b>				
Salaries and wages	2,806,002	2,343,870	5,149,872	-
Operating expenses	1,783,845	918,901	2,702,746	42,398,225
Depreciation	2,528,682	6,788,378	9,317,060	-
Intergovernmental	7,375,711	10,385,748	17,761,459	-
Other	<u>22,910</u>	<u>-</u>	<u>22,910</u>	<u>-</u>
Total Operating Expenses	<u>14,517,150</u>	<u>20,436,897</u>	<u>34,954,047</u>	<u>42,398,225</u>
Operating Income	1,304,945	(813,727)	491,218	1,451,528
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	4,577	4,096	8,673	98,262
Interest expense	(1,081,120)	(1,381,939)	(2,463,059)	-
Other nonoperating income	<u>107,404</u>	<u>225,042</u>	<u>332,446</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(969,139)</u>	<u>(1,152,801)</u>	<u>(2,121,940)</u>	<u>98,262</u>
Income (Loss) Before Capital Contributions and Transfers	335,806	(1,966,528)	(1,630,722)	1,549,790
Capital contributions	187,342	156,586	343,928	-
Transfers in	-	280,983	280,983	-
Transfers out	<u>(1,413,293)</u>	<u>(1,309,386)</u>	<u>(2,722,679)</u>	<u>-</u>
Change in Net Position	(890,145)	(2,838,345)	(3,728,490)	1,549,790
Net Position at Beginning of Year	<u>35,257,471</u>	<u>44,369,910</u>	<u>79,627,381</u>	<u>725,260</u>
Net Position at End of Year	<u>\$ 34,367,326</u>	<u>\$ 41,531,565</u>	<u>\$ 75,898,891</u>	<u>\$ 2,275,050</u>

See notes to financial statements.

## TOWN OF FRAMINGHAM, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water Fund	Sewer Fund	Total	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 15,728,314	\$ 19,625,797	\$ 35,354,111	\$ 43,823,829
Payments to vendors	(8,951,188)	(13,517,377)	(22,468,565)	(42,200,607)
Payments to employees	(2,689,134)	(2,241,926)	(4,931,060)	-
Net Cash Provided By Operating Activities	4,087,992	3,866,494	7,954,486	1,623,222
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfers in	-	280,983	280,983	-
Transfers out	(1,413,293)	(1,309,386)	(2,722,679)	-
Other nonoperating income	2,029,954	225,042	2,254,996	-
Net Cash (Used For) Noncapital Financing Activities	616,661	(803,361)	(186,700)	-
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Proceeds from issuance of bonds	24,560,234	4,117,550	28,677,784	-
Proceeds from issuance of short-term notes	5,997,418	30,212,654	36,210,072	-
Proceeds from issuance of refunded bonds	2,440,800	276,800	2,717,600	-
Acquisition and construction of capital assets, net of disposals	(9,218,668)	(14,288,007)	(23,506,675)	-
Principal payments on bonds	(2,073,600)	(2,825,737)	(4,899,337)	-
Principal payments on short-term notes	(21,719,054)	(19,112,597)	(40,831,651)	-
Principal payments on refunded bonds	(2,720,000)	(300,000)	(3,020,000)	-
Interest expense	(1,041,927)	(1,357,484)	(2,399,411)	-
Capital contributions	-	1,729,176	1,729,176	-
Net (Used For) Capital and Related Financing Activities	(3,774,797)	(1,547,645)	(5,322,442)	-
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	4,577	4,095	8,672	98,262
Net Cash Provided By Investing Activities	4,577	4,095	8,672	98,262
Net Change in Cash and Short-Term Investments	934,433	1,519,583	2,454,016	1,721,484
Cash and Short-Term Investments, Beginning of Year	8,633,452	297,238	8,930,690	7,274,457
Cash and Short-Term Investments, End of Year	\$ 9,567,885	\$ 1,816,821	\$ 11,384,706	\$ 8,995,941
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>				
Operating income	\$ 1,304,945	\$ (813,727)	\$ 491,218	\$ 1,451,528
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,528,682	6,788,378	9,317,060	-
Changes in assets and liabilities:				
User fees	(171,100)	2,627	(168,473)	-
Assessments	77,318	-	77,318	-
Other assets	22,910	-	22,910	(25,924)
Warrants payable	204,702	(1,193,687)	(988,985)	126,306
Accounts payable	3,666	5,438	9,104	-
Accrued liabilities	4,523	(163)	4,360	71,312
Other liabilities	-	(1,024,479)	(1,024,479)	-
Compensated absences	2,357	(1,037)	1,320	-
Net OPEB obligation	109,989	103,144	213,133	-
Net Cash Provided By Operating Activities	\$ 4,087,992	\$ 3,866,494	\$ 7,954,486	\$ 1,623,222

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2013

	Other Post Employment <u>Trust Fund</u>	Pension Trust Fund (as of <u>December 31, 2012</u> )	Agency <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 16,429	\$ 1,259,346	\$ 4,537,876
Investments	<u>1,554,582</u>	<u>213,689,916</u>	<u>136,466</u>
Total Assets	1,571,011	214,949,262	4,674,342
<b>LIABILITIES AND NET ASSETS</b>			
Warrants payable	-	3,623	49,232
Deferred revenue	-	5,630,164	-
Other liabilities	<u>-</u>	<u>-</u>	<u>4,625,110</u>
Total Liabilities	<u>-</u>	<u>5,633,787</u>	<u>4,674,342</u>
Total Net Position Held in Trust For Pension Benefits	\$ <u><u>1,571,011</u></u>	\$ <u><u>209,315,475</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Other Post Employment Trust Fund	Pension Trust Fund (for the year ended December 31, 2012)
<b>Additions:</b>		
Contributions:		
Employers	\$ 1,500,000	\$ 11,019,080
Plan members	-	5,795,295
Reimbursements from federal grants	-	49,724
Reimbursements from Commonwealth of Massachusetts	-	342,039
Reimbursements from other systems	-	540,499
Total contributions	<u>1,500,000</u>	<u>17,746,637</u>
Investment Income:		
Increase in fair value of investments	71,011	26,481,738
Less: management fees	-	(1,074,351)
Net investment income	<u>71,011</u>	<u>25,407,387</u>
Total additions	1,571,011	43,154,024
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	-	18,416,217
Reimbursements to other systems	-	471,571
Refunds and transfers of plan member accounts to other systems	-	785,587
Administrative expenses	-	352,213
Total deductions	<u>-</u>	<u>20,025,588</u>
Net increase	1,571,011	23,128,436
<b>Net position held in trust for pension benefits:</b>		
Beginning of Year	<u>-</u>	<u>186,187,039</u>
End of Year	<u>\$ 1,571,011</u>	<u>\$ 209,315,475</u>

See notes to financial statements.



# **TOWN OF FRAMINGHAM, MASSACHUSETTS**

## **Notes to Financial Statements**

### **1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Framingham (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### **A. Reporting Entity**

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

In the Fiduciary Funds: The Framingham Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 150 Concord Street, Framingham, MA 01702.

#### **B. Government-wide and Fund Financial Statements**

##### **Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and



contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- Ç The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- Ç The water fund is used to report the Town's water enterprise fund operations.
- Ç The sewer fund is used to report the Town's sewer enterprise fund operations.

The self-insured employee health program is reported as an internal service fund in the accompanying financial statements.

The pension trust fund accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The agency fund is custodial in nature and is used to account for funds held for others. Agency funds report only assets and liabilities, and thus have no measurement focus.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption



“cash and short-term investments”. The interest earnings attributable to each fund type were included under investment income.

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System are fully invested in the Commonwealth’s Pension Reserve Investment Trust, and are carried at fair value.

#### F. Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2013 tax levy reflected an excess capacity of \$1,641,623.

#### G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

#### H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment, and infrastructure of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	7 - 20
Infrastructure	50 - 100
Vehicles	5 - 10
Machinery, equipment and furnishings	5 - 10
Computer equipment	5

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and



therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory, petty cash, or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Board of Selectmen).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and

expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## **2. Stewardship, Compliance, and Accountability**

### **A. Budgetary Information**

At the annual town meeting, the Chief Financial Officer presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

### **B. Budgetary Basis**

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### **C. Budget/GAAP Reconciliation**

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in



accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 245,266,419	\$ 242,349,100
Other financing sources/uses (GAAP Basis)	<u>8,105,344</u>	<u>5,105,729</u>
Subtotal (GAAP Basis)	253,371,763	247,454,829
Adjust tax revenue to accrual basis	1,076,016	-
Reverse expenditures of prior year carryforwards	-	(1,871,524)
Add end-of-year appropriation carryforwards from expenditures	-	1,903,139
To reverse the effect of non- budgeted State contributions for teachers retirement	(20,916,859)	(20,916,859)
To reverse non-budgeted activity	(6,459,079)	(1,661,840)
To reverse change in accrued interest	-	562
Recognize other sources and uses	<u>2,974,664</u>	<u>-</u>
Budgetary Basis	<u>\$ 230,046,505</u>	<u>\$ 224,908,307</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

Capital Project Funds:

IP Phone & Security Syst School District	\$	(164,690)
Technology Upgrades		(136,313)
ADA Upgrades		(292,975)
Rooftop AHU Multi		(300,000)
Mechanical, Electrical, Plumbing		(147,017)
ADA Upgrades		(293,971)
Paving Stormwater Study		(34,912)
Fuller/Farley Study		(180,500)
DDC Energy Cons Program		(300,000)
Edgell Lib Academy Vill R		(1,741)
Maynard/Memorial Bldg		(52,000)
Comp Irrigation System		(58,627)
Roadway Improvements		(372,636)
Wickford Rd Bridge Design		(10,000)
Memorial/Maynard Bldg Improv		(825,391)
Library Garage Improvements		(13,817)
Butterworth Phase 1		(23,531)
Inground Fuel Tank		(3,506)
Stormwater Management		(212,149)
Roadway Improvements		(71,737)
Town Buildings		(356,458)
Library Handicap Ramp		(43,451)
Town Building Security		(27,403)
Playground Safety Mulch		(15,840)
Roadway Improvements		(2,014,652)
Memorial Building Fire Super D		(35,000)
Village Hall Boiler		(82,780)
Maynard Building Drainage		(107,086)
Network Infrastructure Im		(527)
Replace Engine 7 Pumper		(14,287)
Playground Equip/Handicap Access Imprv Phs 2		(5,175)
Replace Ladder 3		(965,310)
Front End Loader Mo		(84,604)
78,000 GVW Cab		(241,237)
Munis Financial Sys		(54,042)
Mobile Field Inspection		(29,680)
Asset Management		(28,857)
F350 4x4 Maint Body		(48,411)
15K GVW Dump and Plow		(66,672)
4WD Platform, #409		(54,832)
40K 4WD Dump #422		(225,697)
Front End Loader # 521		(217,000)

(continued)



(continued)

Capital Project Funds:

Cisco UCM Upgrade	(44,569)
Virtual Environment Replace	(60,162)
Archived Doc Scan	(27,635)
Arena Repairs	(32,070)

Special Revenue Funds:

US Dept of Justice	(3,478)
Title III Older American Act	(15)
West Metro HOME Consortium	(26,924)
Mass DOT	(272,905)
Mass Executive Office of Public Safety	(233,137)
Chapter 90	(161,479)
M/W Health FHS Clinical Care	(8,594)
NIH/NEVUS Study	(11,033)
Middlesex Svgs Foundation	(353)

Total	\$ <u>(9,096,868)</u>
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The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

### **3. Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's deposit policy for custodial credit risk is to limit unsecured bank deposits to no more than 5% of the institution's assets and no more than 10% of the municipality's cash.

Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of June 30, 2013 and December 31, 2012, \$21,507,010 and \$1,021,044 of the Town's and System's bank balances of \$64,969,060 and \$1,431,129 respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

Of the Town's balance exposed to custodial credit risk, \$14,230,305 is on deposit with Massachusetts Municipal Depository Trust.

Of the System's balance exposed to custodial credit risk, \$965,244 is on deposit with the Pension Reserve Investment Trust and \$55,800 is on deposit with Massachusetts Municipal Depository Trust.

#### 4. **Investments**

##### A. **Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year-end</u>			
		<u>AAA</u>	<u>AA</u>	<u>BBB</u>	<u>Not Rated</u>
Corporate Stocks	\$ 5,061	\$ -	\$ -	\$ -	\$ 5,061
Corporate bonds	1,259	-	645	614	-
Certificate of deposit	4,005	-	-	-	4,005
Mutual funds	4,411	-	-	-	4,411
Federal agency securities	<u>1,903</u>	<u>1,903</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 16,639</u>	<u>\$ 1,903</u>	<u>\$ 645</u>	<u>\$ 614</u>	<u>\$ 13,477</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

At December 31, 2012, the Contributory Retirement System maintained its investments in the State Investment Pool\* with a fair value of \$213,689,916. This investment type is not rated.



\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy for custodial credit risk is to limit investments to the state investment pool, U.S. Treasury obligations, U.S. Agency obligations, and certificates of deposit. The System does not have policies for custodial credit risk.

The Town's investments were exposed to custodial credit risk because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

The System's investments were exposed to custodial credit risk as uninsured and uncollateralized. However, these investments were held in the State Investment Pool.

C. Concentration of Credit Risk

The Town's policy for concentration of credit risk is to limit investments in a single financial institution to no more than 10% of the Town's investments with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and state pools.

The Town does not have investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments.

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

The Contributory Retirement System does not have an investment in one issuer greater than 5% of total investments.

#### D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy for interest rate risk is to structure the portfolio so securities mature to meet all operating requirements that may be reasonably anticipated, thus avoiding the need to sell securities on the open market prior to maturity. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>&gt;10</u>
Debt-related Securities:					
Corporate bonds	\$ 1,259	\$ 206	\$ 1,053	\$ -	\$ -
Certificate of deposit	4,005	3,325	680	-	-
Federal agency securities	<u>1,903</u>	<u>-</u>	<u>1,903</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,167</u>	<u>\$ 3,531</u>	<u>\$ 3,636</u>	<u>\$ -</u>	<u>\$ -</u>

The Retirement system does not maintain investments that are sensitive to market interest rate fluctuations.

#### E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town and System do not have policies for foreign currency risk.

### 5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien



against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 1,878	
2012	235	
2011	40	
2010	57	
Prior	<u>5</u>	
		2,215
Personal Property		
2013	33	
2012	29	
2011	36	
2010	44	
Prior	<u>400</u>	
		542
Tax Liens		1,962
Deferred Taxes		<u>513</u>
Total		<u>\$ 5,232</u>

## 6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 1,464	\$ -
Excises	\$ 1,535	\$ -
Utilities	\$ -	\$ 148

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013, as well as funding to be provided by the Massachusetts School Building Authority for reimbursement of approved school capital project expenditures.

## 8. Interfund Fund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
<u>Governmental Funds:</u>			
General Fund	\$ 2,781,821	\$ 745,571	\$ 2,036,250
Nonmajor Governmental Funds	<u>660,749</u>	<u>255,303</u>	<u>405,446</u>
Subtotal - Governmental	3,442,570	1,000,874	2,441,696
 <u>Proprietary Funds:</u>			
Water Enterprise Fund	-	1,413,293	(1,413,293)
Sewer Enterprise Fund	<u>280,983</u>	<u>1,309,386</u>	<u>(1,028,403)</u>
Subtotal - Proprietary	<u>280,983</u>	<u>2,722,679</u>	<u>(2,441,696)</u>
Total	<u>\$ 3,723,553</u>	<u>\$ 3,723,553</u>	<u>\$ -</u>

Transfers to the General Fund from the Water and Sewer funds are to cover indirect costs incurred by the General Fund.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 193,991	\$ 2,497	\$ -	\$ 196,488
Vehicles, machinery, equipment and furnishings	42,616	4,641	(1,344)	45,913
Infrastructure	<u>49,891</u>	<u>4,095</u>	<u>-</u>	<u>53,986</u>
Total capital assets, being depreciated	286,498	11,233	(1,344)	296,387
Less accumulated depreciation for:				
Buildings and improvements	(66,858)	(5,824)	-	(72,682)
Vehicles, machinery, equipment and furnishings	(29,439)	(3,311)	1,343	(31,407)
Infrastructure	<u>(19,277)</u>	<u>(1,884)</u>	<u>-</u>	<u>(21,161)</u>
Total accumulated depreciation	<u>(115,574)</u>	<u>(11,019)</u>	<u>1,343</u>	<u>(125,250)</u>
Total capital assets, being depreciated, net	170,924	214	(1)	171,137
Capital assets, not being depreciated:				
Land	18,620	709	-	19,329
Construction in progress	<u>169</u>	<u>330</u>	<u>-</u>	<u>499</u>
Total capital assets, not being depreciated	<u>18,789</u>	<u>1,039</u>	<u>-</u>	<u>19,828</u>
Governmental activities capital assets, net	<u>\$ 189,713</u>	<u>\$ 1,253</u>	<u>\$ (1)</u>	<u>\$ 190,965</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,044	\$ 5,031	\$ -	\$ 30,075
Vehicles, machinery, equipment and furnishings	10,216	684	(424)	10,476
Infrastructure	<u>181,441</u>	<u>16,945</u>	<u>(74)</u>	<u>198,312</u>
Total capital assets, being depreciated	216,701	22,660	(498)	238,863
Less accumulated depreciation for:				
Capital assets, being depreciated:				
Buildings and improvements	(4,668)	(978)	-	(5,646)
Vehicles, machinery, equipment and furnishings	(6,224)	(830)	424	(6,630)
Infrastructure	<u>(39,376)</u>	<u>(7,509)</u>	<u>-</u>	<u>(46,885)</u>
Total accumulated depreciation	<u>(50,268)</u>	<u>(9,317)</u>	<u>424</u>	<u>(59,161)</u>
Total capital assets, being depreciated, net	166,433	13,343	(74)	179,702
Capital assets, not being depreciated:				
Land	1,108	-	-	1,108
Construction in progress	<u>10,748</u>	<u>2,627</u>	<u>(1,706)</u>	<u>11,669</u>
Total capital assets, not being depreciated	<u>11,856</u>	<u>2,627</u>	<u>(1,706)</u>	<u>12,777</u>
Business-type activities capital assets, net	<u>\$ 178,289</u>	<u>\$ 15,970</u>	<u>\$ (1,780)</u>	<u>\$ 192,479</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:		
General government	\$	1,090
Public safety		1,341
Education		4,536
Public works		3,077
Health and human services		112
Culture and recreation		<u>863</u>
Total depreciation expense - governmental activities	\$	<u><u>11,019</u></u>
Business-Type Activities:		
Water	\$	2,529
Sewer		<u>6,788</u>
Total depreciation expense - business-type activities	\$	<u><u>9,317</u></u>

#### 10. **Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2013(in thousands):

	Entity-wide Basis		Fund Basis	
	Governmental Activities	Business-type Activities	Proprietary Funds Water	Sewer
Loss on bond refunding	\$ <u>560</u>	\$ <u>23</u>	\$ <u>23</u>	\$ <u>-</u>

#### 11. **Warrants and Accounts Payable**

Warrants payable represent 2013 expenditures paid by July 15, 2013.

Accounts payable represent additional 2013 expenditures paid after July 15, 2013.

#### 12. **Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.



### 13. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2013:

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/13</u>
Bond anticipation	1.25%	12/14/12	12/13/13	\$ 24,809,365
Bond anticipation	1.00%	06/25/13	12/13/13	13,135,758
State revolving loan	0.13%	06/01/12	12/31/13	3,142,896
State revolving loan	0.13%	06/15/13	project completion	3,515,998
State revolving loan	0.00%	11/08/12	project completion	133,265
Total				<u>\$ 44,737,282</u>

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ 47,578,202	\$ -	\$ (47,578,202)	\$ -
State revolving loan	3,142,896	-	-	3,142,896
Bond anticipation	-	24,809,365	-	24,809,365
Bond anticipation	-	13,135,758	-	13,135,758
State revolving loan	-	3,515,998	-	3,515,998
State revolving loan	-	133,265	-	133,265
Total	<u>\$ 50,721,098</u>	<u>\$ 41,594,386</u>	<u>\$ (47,578,202)</u>	<u>\$ 44,737,282</u>

### 14. Long-Term Debt

#### A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities	Interest Rate(s) %	Amount Outstanding as of 6/30/13
<u>Governmental Activities:</u>	<u>Through</u>		
General obligation	03/25	3.79%	\$ 1,668,400
General obligation	03/24	3.79%	835,500
General obligation	08/14	4.00%	1,325,000
General obligation	03/24	3.79%	724,600
General obligation	02/19	4.34%	5,955,500
General obligation	03/13	3.00%	89,100
General obligation	11/23	0.00%	275,000
General obligation	03/20	5.51%	6,190,500
General obligation	03/24	3.00%	618,050
General obligation	03/15	3.00%	775,691
General obligation	06/26	4.08%	907,000
General obligation	11/27	3.84%	2,480,000
General obligation	07/27	2.00%	234,431
General obligation	06/24	3.00%	4,140,000
General obligation	06/30	3.00%	3,660,000
General obligation	07/30	2.00%	282,646
General obligation	06/31	3.63%	13,385,000
General obligation	12/32	3.45%	8,333,940
Total Governmental Activities			<u>\$ 51,880,358</u>

	Serial Maturities	Interest Rate(s) %	Amount Outstanding as of 6/30/13
<u>Business-Type Activities:</u>	<u>Through</u>		
Water (MWRA)	03/13	3.00%	\$ 174,200
Sewer	03/25	3.79%	344,900
Sewer (MWRA)	06/15	2.54%	62,919
Water	03/24	3.00%	1,798,400
Sewer (MWPAT)	03/24	0.00%	195,875
Sewer	03/15	3.00%	86,832
Water	03/15	3.00%	117,478
Water	03/25	3.79%	861,850
Water (MWRA)	02/15	0.00%	289,800
Water (MWRA)	02/16	0.00%	599,730
Water	06/26	4.08%	1,558,000
Sewer	06/26	4.08%	760,000
Sewer	11/27	3.84%	2,285,000
Water	11/27	3.84%	335,000
Sewer	07/27	2.00%	7,218,525
Sewer (MWPAT)	07/28	2.00%	364,690
Sewer (MWPAT)	07/28	2.00%	1,777,236
			(continued)

(continued)

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
Water	06/24	3.00%	100,000
Water	06/30	3.53%	5,810,000
Sewer	06/30	3.53%	300,000
Sewer (MWPAT)	07/30	2.00%	1,387,477
Sewer (MWPAT)	07/27	2.00%	112,292
Sewer (MWPAT)	07/30	2.00%	172,204
Sewer (MWPAT)	07/30	2.00%	3,002,755
Sewer (MWPAT)	07/30	2.00%	3,443,822
Sewer (MWPAT)	07/30	2.00%	7,750,504
Sewer (MWPAT)	07/30	2.00%	285,134
Water	06/31	3.63%	6,800,000
Sewer	06/31	3.63%	6,855,000
Sewer (MWRA)	11/16	0.00%	339,946
Sewer (MWPAT)	07/28	2.00%	6,466
Sewer (MWPAT)	07/32	2.00%	24,172,762
Water (MWRA)	11/22	0.00%	5,704,440
Water	12/32	3.45%	18,855,794
Sewer	12/32	3.45%	2,568,267
Sewer (MWPAT)	07/30	2.00%	1,549,284
Total Business-Type Activities			<u>\$ 108,046,582</u>

#### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 8,390,142	\$ 1,791,616	\$ 10,181,758
2015	7,432,873	1,532,226	8,965,099
2016	5,680,211	1,307,651	6,987,862
2017	5,161,622	1,106,414	6,268,036
2018	4,422,094	946,462	5,368,556
2019 - 2023	13,678,960	2,622,981	16,301,941
2024 - 2028	5,998,041	706,128	6,704,169
2029 - 2033	1,116,415	79,498	1,195,913
Total	<u>\$ 51,880,358</u>	<u>\$ 10,092,976</u>	<u>\$ 61,973,334</u>

The general fund has been designated as the source to repay the governmental-type general obligation debt outstanding as of June 30, 2013.



<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,553,995	\$ 2,899,822	\$ 10,453,817
2015	7,236,582	2,718,719	9,955,301
2016	6,339,234	2,542,649	8,881,883
2017	6,082,939	2,378,278	8,461,217
2018	6,005,818	2,212,415	8,218,233
2019 - 2023	30,008,607	8,352,276	38,360,883
2024 - 2028	26,629,153	4,312,502	30,941,655
2029 - 2033	18,190,254	1,085,022	19,275,276
Total	<u>\$ 108,046,582</u>	<u>\$ 26,501,683</u>	<u>\$ 134,548,265</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2013 are as follows:

<u>Purpose</u>	<u>Amount</u>
Wastewater Pump	\$ 1,238,534
Hebert Street Sewer	2,146,991
Concord School S	741,502
Grove Street Water Pump	649,836
Prospect St Wtr Main	765,000
N Concord St Wtr Design	600,000
Concord Street Purchase	1,750,000
Birch Rd Well	38,237,900
Lakeview	600,000
Central St Siphon	1,704,614
N Concord St Wtr Main Replacement	6,342,735
Goodnow Wtr Pump Station	1,360,000
Grant/Pond St Sewer Replacement	2,478,086
Downtown Water Utilities	1,192,542
Downtown Sewer Utilities	1,065,000
North Framingham Pump Station	2,967,104
Worcester Road Pump Station	1,325,000
Irving Loring Herbert	1,791,590
Beebe Water Tank	3,194,000
Wastewater Backup Upgrades	550,000
Hancock Lane Pump	784,666
	(continued)

(continued)

<u>Purpose</u>	<u>Amount</u>
East Fram/Central St	1,000,000
Irving Herbert Loring	2,470,000
Speen St Interceptor	1,128,000
Off St Parking Lot Construction (Lexington St Garage)	565,000
McAulife Branch Library	4,511,769
Cushing Memorial Park Phase 5	665,000
Roadway Improve 2014	3,200,000
Pave Replacement Storm Water All Schools	740,000
Replace Deteriorated Floor Tiles Multiple Schools	745,000
Bethany Rd & Winthrop/Waverly Inters Improvmts	855,000
Warren Road & Prindiville Water Main	2,990,000
Wroc Rd Pump Stn Elimination Project Construction	17,220,000
Baiting Brook Sewer Improvements	6,563,000
Bethany Rd & Winthrop/Waverly Inters SWR Improv	1,240,000
Other (85 individual projects)	19,904,272
Total	<u>\$ 135,282,141</u>

D. Overlapping Debt

The Town's proportionate share of debt of other governmental units which provide services within the Town's boundaries, and which must be borne by the resources of the Town, is summarized below (in thousands and unaudited):

<u>Related Entity</u>	<u>Principal</u>	<u>Town's</u>	
		<u>Estimated Share</u>	
MWRA - Water	\$ 2,099,794	3.73%	\$ 78,322
MWRA - Sewer	4,027,396	2.78%	111,962
MBTA and MWRTA	5,769,215	1.35%	77,884
			<u>\$ 268,168</u>

E. Legal Debt Margin

The Town is subject to the General Laws of the Commonwealth of Massachusetts which, in general, limits the amount of bonded debt the Town may have outstanding to 5 percent of the valuation of taxable property as last equalized by the Commonwealth's Department of Revenue. The following is a computation of the legal debt margin as of June 30, 2013 (in thousands):

Revised equalized valuation - July 20, 2012		\$ 7,835,823
Debt limit - 5% of equalized valuation		\$ 391,791
Total debt outstanding	159,927	
Less: debt exempt from limit	<u>(64,224)</u>	<u>95,703</u>
Legal Debt Margin		<u>\$ 296,088 *</u>

\* Excludes bond anticipation notes and authorized but unissued debt.

#### F. Advance and Current Refundings

##### Current Year

On December 13, 2012, the Town issued general obligation refunding bonds in the amount of \$5,943,000 at a True Interest Rate of 1.5549% to advance refund \$295,000 of its March 15, 2003 Bonds (the "2003 Bonds"), comprised of serial bonds with interest rates ranging from 3.50% to 4.4%; to advance refund \$2,435,000 of its March 15, 2004 Bonds (the "2004 Bonds"), comprised of serial bonds with interest rates ranging from 3.375% to 4.0%; and to advance refund \$3,850,000 of its March 1, 2005 Bonds (the "2005 Bonds"), comprised of serial bonds with interest rates ranging from 3.625% to 4.125%. The 2003 Bonds mature on March 15, 2014 through March 15, 2023 and were called on March 15, 2013. The 2004 Bonds mature on March 15, 2015 through March 15, 2024 and were called on March 15, 2014. The 2005 Bonds mature on March 1, 2016 through March 1, 2025 and are callable on March 1, 2015.

The refunding met the requirements of an in-substance debt defeasance and the serial bonds were removed from the Town's financial statements.

As a result of the 2003 advance refunding, the Town reduced its total debt service cash flow requirements by \$35,465, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$34,228. As a result of the 2004 advance refunding, the Town reduced its total debt service cash flow requirements by \$260,791, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$229,786. As a result of the 2005 advance refunding, the Town reduced its total debt service cash flow requirements by \$336,963, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$292,297.

Defeased debt for the 2003 issue still outstanding at June 30, 2013 was \$0. Defeased debt for the 2004 issue still outstanding at June 30, 2013 was \$1,245,000 (\$835,000 payable March 15, 2014 at 3.25% and \$410,000 payable March 15, 2015 at 3.375%). Defeased debt for the 2005 issue still outstanding at June 30, 2013 was \$940,000 (\$470,000



payable March 1, 2014 at 3.50% and \$470,000 payable March 1, 2015 at 3.50%).

#### G. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/12	Additions	Refunding, net	Reductions	Total Balance 6/30/13	Less Current Portion	Equals Long-Term Portion 6/30/13
<u>Governmental Activities</u>							
Bonds payable	\$ 51,656	\$ 8,334	\$ (335)	\$ (7,774)	\$ 51,881	\$ (8,390)	\$ 43,491
Net OPEB obligation	70,791	22,093	-	(12,613)	80,271	-	80,271
Accrued employee benefits	3,107	93	-	-	3,200	(2,207)	993
Other liabilities	-	744	-	-	744	(37)	707
Totals	<u>\$ 125,554</u>	<u>\$ 31,264</u>	<u>\$ (335)</u>	<u>\$ (20,387)</u>	<u>\$ 136,096</u>	<u>\$ (10,634)</u>	<u>\$ 125,462</u>

	Total Balance 7/1/12	Additions	Refunding, net	Reductions	Total Balance 6/30/13	Less Current Portion	Equals Long-Term Portion 6/30/13
<u>Business-Type Activities</u>							
Bonds payable	\$ 84,570	\$ 28,678	\$ (302)	\$ (4,899)	\$ 108,047	\$ (7,554)	\$ 100,493
Net OPEB obligation	2,937	497	-	(284)	3,150	-	3,150
Accrued employee benefits	113	3	-	(2)	114	(108)	6
Other liabilities	1,211	1,912	-	(67)	3,056	(163)	2,893
Totals	<u>\$ 88,831</u>	<u>\$ 31,090</u>	<u>\$ (302)</u>	<u>\$ (5,252)</u>	<u>\$ 114,367</u>	<u>\$ (7,825)</u>	<u>\$ 106,542</u>

## 15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2013 (in thousands):

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Funds</u>	<u>Nonmajor</u>	<u>Proprietary Funds</u>	<u>Sewer</u>
Unavailable revenues	\$ -	\$ -	\$ 7,387	\$ 3,209	\$ -	\$ -
Loss on bond refunding	<u>335</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>279</u>	<u>39</u>
Total	<u>\$ 335</u>	<u>\$ 318</u>	<u>\$ 7,387</u>	<u>\$ 3,209</u>	<u>\$ 279</u>	<u>\$ 39</u>

## **16. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

## **17. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2013:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures, petty cash, and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various

Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Prepaid expenditures	\$ 60,927	\$ -	\$ 60,927
Petty cash	550	-	550
Nonexpendable permanent funds	<u>-</u>	<u>585,195</u>	<u>585,195</u>
Total Nonspendable	61,477	585,195	646,672
Restricted			
Debt service	61,789	-	61,789
Bonded projects	-	2,022,738	2,022,738
Special revenue funds	-	7,604,785	7,604,785
Expendable permanent funds	<u>-</u>	<u>2,012,068</u>	<u>2,012,068</u>
Total Restricted	61,789	11,639,591	11,701,380
Committed			
Open Space conservation stabilization	416,465	-	416,465
Capital project funds	<u>-</u>	<u>10,672</u>	<u>10,672</u>
Total Committed	416,465	10,672	427,137
Assigned			
Encumbered for:			
General government	894,652	-	894,652
Public safety	76,347	-	76,347
Public works	230,157	-	230,157
Employee benefits	643,810	-	643,810
Other	68,707	-	68,707
For next year's expenditures	<u>2,479,390</u>	<u>-</u>	<u>2,479,390</u>
Total Assigned	4,393,063	-	4,393,063
Unassigned <sup>(1)</sup>	<u>21,037,977</u>	<u>(9,096,868)</u>	<u>11,941,109</u>
Total Unassigned	<u>21,037,977</u>	<u>(9,096,868)</u>	<u>11,941,109</u>
Total Fund Balance	<u>\$ 25,970,771</u>	<u>\$ 3,138,590</u>	<u>\$ 29,109,361</u>

<sup>(1)</sup> Includes General Stabilization fund balance of \$11,770,275.

## 18. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Account-



ing System (UMAS). The following paragraphs summarize the major differences.

Massachusetts General Laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

Unassigned GAAP basis balance	\$ 21,037,977
Less: General Stabilization	(11,770,275)
Unfunded tax refund estimate	<u>3,053,918</u>
Statutory (UMAS) Balance	<u>\$ 12,321,620</u>

## **19. Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Town’s counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

## **20. Post-Employment Healthcare and Life Insurance Benefits**

### **Other Post-Employment Benefits**

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

#### **A. Plan Description**

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2012, the actuarial valuation date, approximately 1,786 retirees and 1,751 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

#### **B. Benefits Provided**

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

#### **C. Funding Policy**

Retirees contribute various percentages of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

#### **D. Annual OPEB Costs and Net OPEB Obligation**

The Town's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30,

2013, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2012.

Annual Required Contribution (ARC)	\$ 22,146,627
Interest on net OPEB obligation	2,949,122
Adjustment to ARC	<u>(2,506,272)</u>
Annual OPEB cost	22,589,477
Contributions made	<u>(12,896,090)</u>
Increase in net OPEB obligation	9,693,387
Net OPEB obligation - beginning of year	<u>73,728,050</u>
Net OPEB obligation - end of year	<u>\$ 83,421,437</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 22,589,477	57.1%	\$ 83,421,437
2012	\$ 27,009,304	41.6%	\$ 73,728,050
2011	\$ 25,300,181	41.4%	\$ 57,944,179
2010	\$ 27,798,877	46.9%	\$ 43,126,429
2009	\$ 26,539,476	45.9%	\$ 28,365,978
2008	\$ 25,839,476	45.8%	\$ 14,007,989

#### E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 327,066,655
Actuarial value of plan assets (7/1/12)	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 327,066,655</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 104,422,992</u>
UAAL as a percentage of covered payroll	<u>313%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of



events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

## 21. Contributory Retirement System

The Town follows the provisions of GASB Statement No. 27, Accounting for Pensions for State and Local Government Employees, (as amended by GASB 50) with respect to the employees' retirement funds.

#### A. Plan Description and Contribution Information

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Framingham Contributory Retirement System (FCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the FCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the FCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits

paid. The FCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2012:

Retirees and beneficiaries receiving benefits	787
Terminated plan members entitled to but not yet receiving benefits	260
Active plan members	<u>1,120</u>
Total	<u><u>2,167</u></u>
Number of participating employers	3

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 6,994,318	100%
2005	\$ 7,399,266	100%
2006	\$ 7,755,370	100%
2007	\$ 8,166,783	100%
2008	\$ 8,841,122	100%
2009	\$ 9,303,259	100%
2010	\$ 9,869,454	100%
2011	\$ 10,127,177	100%
2012	\$ 10,270,195	100%
2013	\$ 10,729,968	100%



## B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

## C. Funded Status and Funding Progress

The information presented below is from the Framingham Contributory Retirement System's most recent valuation (in thousands).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/12	\$ 208,294	\$ 309,696	\$ 101,402	67.3%	\$ 51,902	195%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

## D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$101.4 million was calculated. The actuarial assumptions included (a) 8% investment rate of return and (b) a projected salary increase of 4.75 - 5.25% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2012, the unfunded actuarially accrued liability is being amortized over 18 years using a 5.00% annual increasing basis.



## E. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute. All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

\*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The Town's current year covered payroll for teachers and administrators was unavailable.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$20,916,859 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 22. **Self-insurance**

The Town self-insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

### Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$75,000 per incident, with a maximum lifetime coverage of \$2,000,000. The claims liability repre-

sents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2013 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 6,247,166
Claims incurred/recognized in fiscal year 2013	42,398,225
Claims paid in fiscal year 2013	<u>(42,326,913)</u>
Claims liability, end of year	<u>\$ 6,318,478</u>

The \$6,247,166 estimated liability for claims incurred but not reported includes only an estimate for known loss events expected to later be presented as claims. The Town is unable to estimate the amount of unknown loss events expected to become claims and expected future developments on claims already reported.

## **23. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## **24. Implementation of New GASB Standards**

The GASB has issued Statement No. 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Town of Framingham Contributory Retirement System's actuarially accrued liability.

**TOWN OF FRAMINGHAM, MASSACHUSETTS**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2013

(Unaudited)

(Amounts Expressed in thousands)

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/91	\$ 40,645	\$ 92,433	\$ 51,788	44.0%	\$ 27,351	189%
01/01/95	\$ 62,360	\$ 122,220	\$ 59,860	51.0%	\$ 29,168	205%
01/01/98	\$ 105,941	\$ 156,983	\$ 51,042	67.5%	\$ 33,120	154%
01/01/00	\$ 147,572	\$ 181,149	\$ 33,577	81.5%	\$ 39,871	84%
01/01/02	\$ 142,893	\$ 206,810	\$ 63,917	69.1%	\$ 42,132	152%
01/01/04	\$ 148,125	\$ 220,001	\$ 71,876	67.3%	\$ 41,233	174%
01/01/06	\$ 157,611	\$ 241,752	\$ 84,141	65.2%	\$ 45,439	185%
01/01/08	\$ 197,875	\$ 262,770	\$ 64,895	75.3%	\$ 48,878	133%
01/01/10	\$ 192,219	\$ 283,867	\$ 91,648	67.7%	\$ 53,311	172%
1/1/2012	\$ 208,294	\$ 309,696	\$ 101,402	67.3%	\$ 51,902	195%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 389,843	\$ 389,843	0.0%	\$ 97,125	401%
07/01/10	\$ -	\$ 371,530	\$ 371,530	0.0%	\$ 113,924	326%
07/01/12	\$ -	\$ 327,067	\$ 327,067	0.0%	\$ 104,423	313%

See Independent Auditors' Report.